

GST

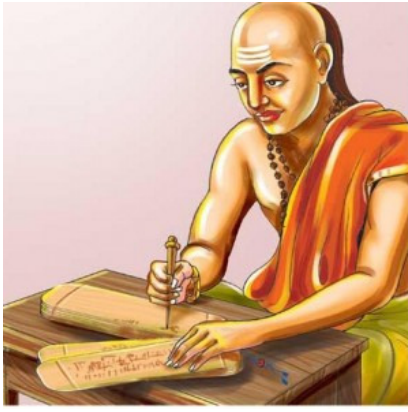
AND YOU

Installment - I



S.K. Rathi & Co.

Chartered Accountants



"Taxation should not be a painful process for the people. There should be leniency and caution while deciding the tax structure. Ideally, governments should collect taxes like a honeybee, which sucks just the right amount of honey from the flower so that both can survive."

– Chanakya

Purpose

Ignorance of law is no excuse & therefore it is important for you to educate yourself for GST & make your transition to GST, a smoother one. With knowledge series of "GST & YOU", we are here to simplify the understanding of much awaited GST for you. This series shall be very useful resource for your transition to GST.

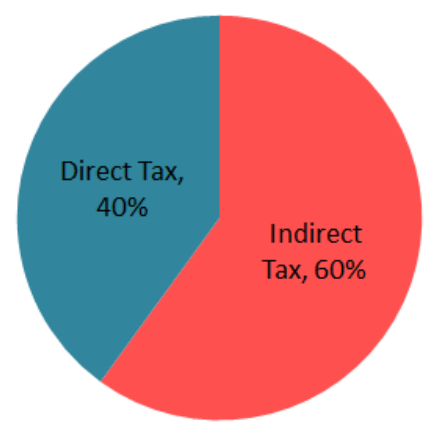
Contents

1 Present Structure of IDT

2 What is GST all about?

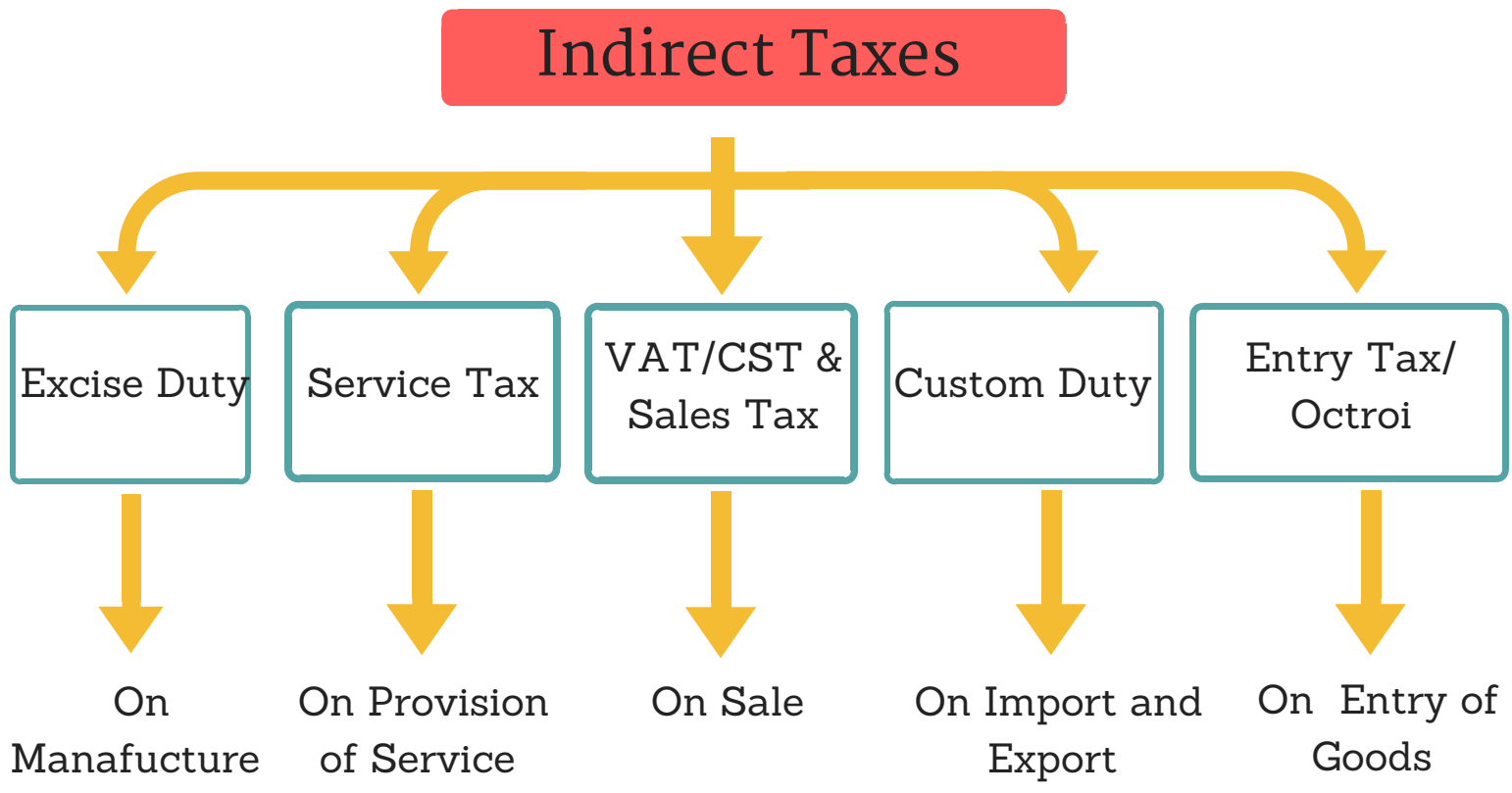
Present Structure of Indirect Taxes in India

Indirect taxes accounts for 60% of tax collected by our government. These taxes are in the form of Excise Duty, Service Tax, Custom Duty, VAT, Octroi, Stamp Duty, Property Tax, etc.



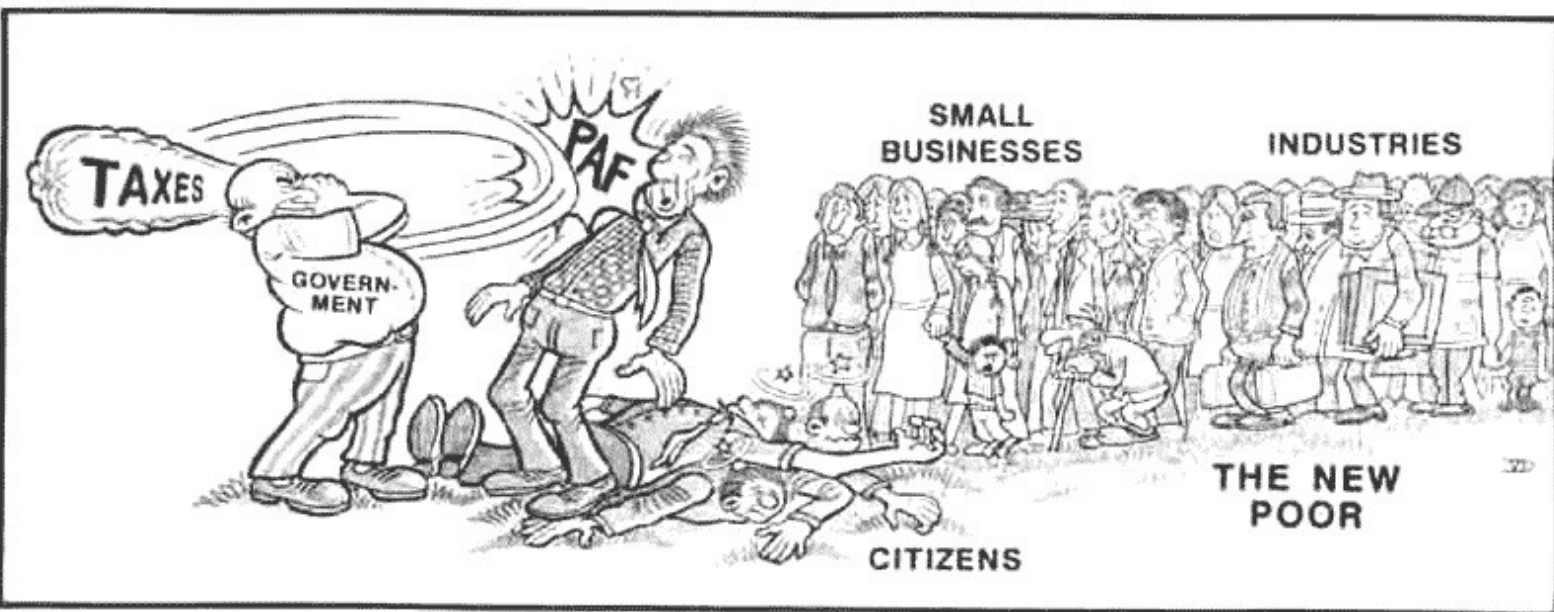
The diagram below gives us the broad understanding of present tax structure of Indirect Taxes in India.

A How it Works



B Major Issues/ Why GST

- Too Many Taxes
- Different VAT rates in different states
- Composite Transactions like Works Contract are treated as sale of goods as well as service
- Multiple exemptions leading to complexity



What is GST all about?

Goods and Services Tax is comprehensive indirect tax on **manufacture, sale and consumption of goods and services** throughout India, to replace taxes levied by the central and state governments.



As of now, excise duty is levied on manufacture, service tax is levied on provision of service and VAT/CST is levied on sale of goods.

However, in GST regime - GST will be levied on all above activities. This will lead to uniformity in compliance and reduction in paper work.

At this point, two major questions arises in an entrepreneur's mind.

A Taxes going out

B Taxes not going out

A Taxes going out

Central Taxes

- Service Tax
- Excise Duty
- Addn Custom Duty
- Special Addnl Duty - Customs
- Central Cess & Surcharges

State Taxes

- VAT
- CST
- State Cess & Surcharges
- Octroi
- Entry Tax
- Luxury Tax
- Entertainment Tax (other than local bodies)

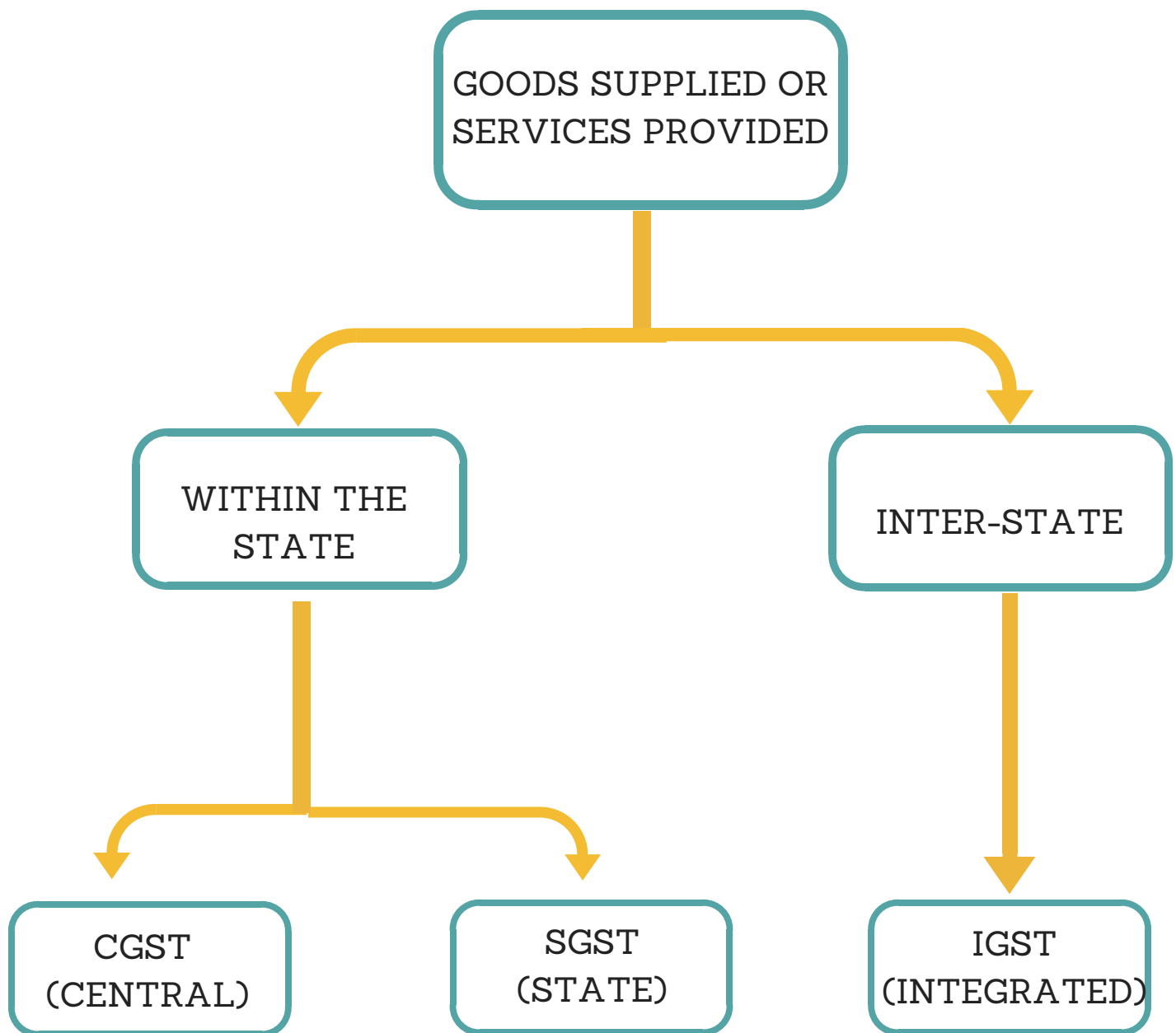
GST

B Taxes not going out

- Basic Custom Duty
- Export Duty
- Road and Passenger Tax
- Toll Tax

- Property Tax
- Stamp Duty
- Electricity Tax
- Entertainment Tax
Levied by Local Bodies

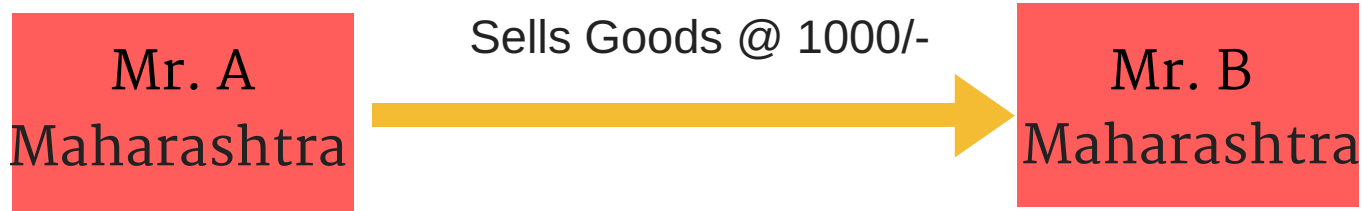
Structure of GST



As illustrated above, CGST as well as SGST is to be charged on within the state transactions and IGST is to be charged on Inter-state transactions. Let us understand this thing with an example.

Let us Assume that GST rate is 18%

Case I – Within State



In this case taxes will be charged in the following manner-

Particulars	Amount (Rs.)
Sale Value	1000/-
CGST @ 9%	90/-
SGST @ 9%	90/-
Total	1180/-

Case II – Between Two States



In this case taxes will be charged in the following manner-

Particulars	Amount (Rs.)
Sale Value	1000/-
IGST @ 18%	180/-
Total	1180/-



What's in store for the next edition-

1 Place of supply

GST is a destination based tax i.e. goods/services will be taxed at the place where they are “supplied”. Therefore, “place of supply” becomes the key factor in determining the type of GST levied. We shall study this aspect in detail in the next part of this series.

2 Input Tax Credit

Presently, there is a general misconception that input tax credit will be available for all types of taxes in GST regime. However, this is not true. There are few limitations in availing ITC. This aspect will be studied in detailed through various illustrations in the next edition.



Let's Talk-

- We will be glad to help you in understanding the Impact of GST on your business.
- We can be instrumental in effectively implementing GST in your current business set-up.

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Disclaimer:

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